

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 982 – HB 1147

April 13, 2015

SUMMARY OF ORIGINAL BILL: Requires the annual report, published jointly by the Commissioners of the Department of Revenue and the Department of Transportation, that summarizes the amount and source of funds deposited in the Transportation Equity Fund, to include a brief description of any funds used to pay the cost of acquiring, engineering, constructing, improving, or maintaining any existing or proposed publicly-owned and operated airports and other airport facilities.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (006171): Deletes all language after the enacting clause. Establishes that the 4.5 percent state sales tax imposed on a person's purchase, use, consumption, or storage of aviation fuel that is used in the operation of airplane or aircraft motors shall not exceed the following for any taxpayer: \$21,375,000 for the period of July 1, 2015 through June 30, 2016; \$17,750,000 for the period of July 1, 2016 through June 30, 2017; \$14,125,000 for the period of July 1, 2017 through June 30, 2018; and \$10,500,000 for any tax year occurring on or after July 1, 2018.

Establishes an advisory task force to study revenue and funding issues regarding the operation of aircraft and airport facilities in Tennessee, which will be comprised of 15 members: 3 appointed by the Speaker of the Senate; 3 appointed by the Speaker of the House, Commissioners of Economic and Community Development, Transportation, and Finance and Administration; the Chair of the Transportation and Safety Committee of the Senate; the Chair of the Transportation Committee of the House; 2 members representative of the Tennessee Aviation Association; 2 members representative of the Tennessee Association of Air Carrier Airports. Requires the task force to report its findings and recommendations by February 1, 2016, upon which date it will cease to exist.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – \$4,577,100/FY15-16/Transportation Equity Fund
\$10,317,100/FY16-17/Transportation Equity Fund
\$16,229,600/FY17-18/Transportation Equity Fund
\$22,328,500/FY18-19 and Subsequent Years/
Transportation Equity Fund

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Increase State Expenditures – \$3,300/Each One-Day Meeting/Advisory Task Force

Other Fiscal Impact – The Transportation Equity Fund is restricted solely to the purpose of supporting aviation throughout the state. Therefore, any decrease in revenue to the fund will, necessarily, eventually decrease state funding available to support airports. However, initially, expenditures on airport projects from the fund may not change noticeably. There are currently large reserve balances held in the fund by virtue of two factors: 1) many previously approved projects have not yet drawn down all of the monies allotted to them within the fund; and 2) other unallotted balances currently held in the fund.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-6-217, a 4.5 percent state sales tax is imposed on the sale, use, consumption, distribution, and storage of aviation fuel that is actually used in the operation of airplane or aircraft motors. One hundred percent of taxes collected pursuant to this section are deposited to the Transportation Equity Fund.
- It is estimated that one taxpayer will be impacted by the proposed caps on the total maximum amount of sales taxes owed to the state pursuant to this section.
- Based on information provided by the Department of Revenue, the resulting decrease in state revenue to the Transportation Equity Fund is estimated to be: \$4,577,055 in FY15-16, \$10,317,147 in FY16-17, \$16,229,619 in FY17-18, and \$22,328,521 in FY18-19 and subsequent years.
- Any increase in expenditures to the Department of Revenue to establish a process for applying the caps is estimated to be not significant.
- The Transportation Equity Fund (TEF) is restricted to the purpose of supporting aviation throughout the state. The Department of Transportation (TDOT) reports that annual revenue deposited in the TEF is used as follows: 1a) administration of TDOT's Aeronautics Division; 1b) education and training; 1c) weather observation; and 2) operational and capital improvement assistance to airports. Furthermore, TDOT reports items 1a, 1b, and 1c together are currently funded at about \$4 million annually. After funding for items 1a, 1b, and 1c is taken off-the-top, all remaining revenue is available for support of airports. That support is split 50/50 between the state's five (5) major airports (Memphis, Nashville, Knoxville, Chattanooga, and Tri-Cities) and the state's other small public-use, general aviation airports.
- Data provided by the TDOT indicates revenue deposited in the TEF has averaged over \$48 million per year for the most recent three (3) fiscal years – FY 2011-12; FY 2012-13; FY 2013-14.
- Additionally, TDOT reports that year-end reserve balances in the TEF have grown over the past three (3) fiscal years and are now about three times annual revenue – FY 2011-12 (\$126 million); FY 2012-13 (\$133 million); FY 2013-14 (\$146 million).
- Further, TDOT reports that about ninety percent of the reserve balances are funds allotted to specific airport projects, but still yet unexpended. The remaining 10 percent is funds not yet allotted to any project. The TDOT Aeronautics Division reports that

currently the balance of TEF reserve funds not yet allotted to any project is about \$18 million.

- Also, in addition to the \$18 million of unallotted funds referenced above, of all past funds set aside for the five (5) major airports, the TDOT Aeronautics Division reports that about \$24 million remains not yet allotted to specific projects by those airports: Memphis (\$12 million); Nashville (\$10 million); Knoxville (\$250,000); Chattanooga (\$700,000); and Tri-Cities (\$1 million).
- Given the large reserve balances currently on hand in the TEF, any decrease in annual revenue deposited the TEF will not be immediately and proportionally reflected in annual expenditures from the TEF. Only after these balances are worked down, as airport projects are completed over time, will the change in revenue reflected in future expenditure levels from the TEF.
- Data reported by the National Association of State Aviation Officials (NASAO), in surveys conducted in 2008 and 2012, shows that Tennessee currently ranks near the top nationally in state funding provided to airports. While this survey data is incomplete and using it to draw normalized comparisons between states is difficult, the results do illustrate a top echelon of states as measured by the amount of state funding provided to aviation. Those states include Florida, Texas, Maryland, Colorado, Arizona, and Tennessee though not necessarily in that order. Also, from year to year the composition and order of the top echelon varies.
- It is assumed that the six members of the task force appointed by the Speakers of the Senate and House will be legislative members and will receive travel and per diem expenses. There will be a total of eight legislative members. Travel and per diem expenses for such eight members will be \$2,701 per meeting [(\$198 per diem + \$139.59 mileage) x 8 members].
- The remaining seven members of the task force shall serve without compensation but shall be entitled to reimbursement of any travel expenditures. It is assumed that each meeting of the task force will be in Nashville and will not require any travel reimbursement for the three Commissioners.
- Travel expenses for the remaining four non-legislative members of the task force will be \$558 per meeting [(\$0.47 per mile x 297 miles roundtrip) x 4 members].
- The total increase in state expenditures is estimated to be \$3,259 per meeting (\$2,701 + \$558).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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